

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6643

BILL NUMBER: HB 1090

NOTE PREPARED: Jan 30, 2006

BILL AMENDED:

SUBJECT: Fire Protection Agreements.

FIRST AUTHOR: Rep. Tincher

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that a city, town, county, or township that wants to discontinue providing its own fire protection services may contract with a provider of fire protection services only if the provider has an Insurance Service Office Public Protection Classification that is higher than the classification of the city, town, county, or township.

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: This bill could potentially cause a reduction in expenditures for providing fire protection services if a qualified provider can supply such services at a lower cost. Also, expenditures on insurance premiums could potentially be reduced due to the unit receiving a better public protection classification (PPC). According to the Insurance Services Office, Inc. (ISO), insurance premiums are generally priced lower where a local unit has a better PPC when all other factors are considered equal.

Background Information: ISO offers classification of a town's firefighting capabilities, which insurance companies use to determine prices of insurance premiums they offer. ISO evaluates a community's level of firefighting capability using their Fire Suppression Rating Schedule. The schedule rates the following three main categories of fire suppression based on level of importance: engine companies (50%), water supply (40%), and fire alarms (10%).

Based on the evaluation, ISO then assigns the town with a PPC. The PPC helps to determine the amount a principal place of residence will pay for the fire protection portion of homeowners insurance. Classifications are numbers ranging between 1 and 10. A classification of 1 is the highest level of fire suppression capability. A classification of 10 is equated to no suppression capability. If a community's fire department also has rural jurisdiction, ISO assigns two classifications. One is for the department's urban suppression capabilities, and the other classification is for the unit's rural capabilities.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Cities, towns, counties, and townships.

Information Sources: Insurance Services Office, Inc., www.iso.com.

Fiscal Analyst: Valerie Ruda, 317-232-9867.